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As the two-year anniversary of federal health care reform passes, businesses affected by the law are divided into two camps: proponents who cite the positive effects it's already had, and opponents who point to larger changes they fear it will cause.

The Patient Protection and Affordable Care Act (PPACA) has allowed roughly 309,000 small businesses nationally to receive tax credits toward health insurance. And backers argue there's a direct correlation between the slowdown in the rise of companies' health insurance costs and the law's provision that says the federal government can review all proposed premium hikes of more than 10 percent.

But many are focused on 2014, when PPACA mandates that all individuals purchase health insurance and that all companies of at least 50 employees provide health insurance to full-time workers — defined as those averaging 30 hours of work per week in a month — or pay penalties.

Fears about these provisions' costs are forcing area businesses to look at reducing employees' hours or cutting workers, several business owners testified at a recent field hearing conducted by U.S. Rep. Mike Coffman, R-Colorado.

"The biggest effect right now is sort of a cloud of uncertainty," said Dr. Bob Graboyes, senior fellow for health and economics for the National Federation of Independent Business Research Foundation, while he was in Denver this month. "Businesses simply don't know what to make of it, and until they can get a handle on it, they're afraid to move. You're heading into a tunnel, and you don't know what's in there."

President Barack Obama signed PPACA on March 23, 2010. It faces an uncertain future — the U.S. Supreme Court will hear arguments about its constitutionality on March 26, and Republican presidential candidates have advocated repealing it.

Several key provisions have been implemented, including a ban on lifetime limitations on insurance payouts, the extension of dependent coverage to all children through age 26 and the implementation of health-insurance tax credits for businesses of 25 or fewer employees that average making $50,000 or less a year.

Tax records show that about 309,000 businesses across the country had taken advantage of them through November 2011, Graboyes said.

Tax credit saved money

One of those was Western States Clinical Research Inc., a Wheat Ridge company that performs clinical research for drug studies. Owner Cheri Casey took the tax credit in 2011 and got a 2 percent break on what her five-person company paid for insurance. That enabled her to put away money for 2012 and use it to buy a better health care plan with lower deductibles.

Western States isn't eligible for the credits in 2012, because Casey had to reduce the number of full-time employees to three this year and because they average more than $50,000 a year in salary. But with the company's insurance costs having risen between 13 and 23 percent a year for 10 years — claiming 8 percent of its gross revenue in 2011 — even the one-year boost was valuable, she said.

"It wasn't huge, but it was good. It was at least helpful," Casey said.

But Graboyes said because businesses averaged $1,300 for the tax break it in 2011 — a figure that he said is less than 10 percent of costs for most companies — the bill's biggest supposed benefit is too small for almost any company that doesn't already offer health insurance to begin offering it to workers.

Dede de Percin, executive director of the Colorado Consumer Health Initiative, said one helpful bill provision requires federal review of any insurance companies that seek more than a 10 percent premium increase. She pointed to a November report from The Lockton Benefit Group forecasting that business health insurance premiums would rise by an average of 9.4 percent in 2012 — the lowest hike since 2000 and which falls below the line for review.

“If you’re an insurer and you see your rate hike will trigger an automatic review, you’re probably going to stay below that,” de Percin said.

Sol Ross, director of business outreach for the U.S. Department of Health and Human Services, said the federal agency is analyzing the effect of the 10 percent cap. Meanwhile, he’s traveling across the country and meeting with business groups about how they can benefit from PPACA. He was in Denver on March 15 to meet with organizations, including the Cherry Creek Women’s Business Network.

Ross pitched such bill provisions as the tax credit and the Health Data Initiative, a program in which individuals can sift through years of Medicaid and Medicare data and propose business uses of the data that can lead to the creation of companies.

One company that used the initiative to grow was iTriage LLC, a Denver-based creator of a medical iPhone application, he noted.

“It’s increasing health outcomes,” Ross said of the program and of iTriage. “But at the same time, it’s a huge business success story.”

Restaurants may cut jobs or limit hours

But such stories are rare, compared to the catastrophic effects that business owners said the bill will have on companies at a March 16 hearing Coffman hosted at the Greenwood Village City Hall.

Businessess such as restaurants and grocery stores, which rely largely on uninsured part-time employees working between 30 and 40 hours a week, may limit those hours to 29½ per week to get under the mandatory-insurance threshold, said John Leevers, president of Leevers Supermarkets Inc. of Franktown, which operates 13 stores under different names in the area.

His company now self-insures just 65 of its 300 employees because they cross the 40-hour weekly standard. Under PPACA rules, however, that number would have to jump to 250 — a $2 million additional cost to a business in an industry that averages profits under 2 percent.

Similarly, Mark Rogers, president/CEO of Roaring Forks Restaurants Inc. of Castle Rock, which operates the Cheddar's Casual Cafe brand, said he's unlikely to offer insurance to part-time workers who sometimes are with his restaurants for just weeks. Instead, he'd look at bringing on more part-time employees and reducing hours to less than 30 a week.

Thus, the mandate would make it harder for workers to get by on just one job, forcing them to have to hold down multiple positions at once, he said.

"The real irony here is that in the name of expanding health care coverage, Congress and the administration are making it more difficult for workers to enter and eventually be promoted in the workforce at a time when we desperately need job growth," said Rogers, who estimated it would cost $400,000 to pay the penalty for not ensuring more than 200 workers now working 30 hours a week — and more to insure all of them.

Rogers added that he believes companies that have 50-55 employees won't hesitate to lay off some to get below the 50-worker line.

Dr. Keith Small of Cody Dental Group of Denver does offer health insurance to his employees. And one method he has employed to combat passing all of the rising health care costs on to employees is offering them flexible spending accounts (FSA), where they could put away $8,000 tax-free a year to use for planned medical costs such as hearing aids or prescription drugs.

But PPACA banned the use of FSA accounts for over-the-counter medication in 2011 and reduces the maximum annual allocation to such accounts to $2,500 next year — not enough to cover the costs of some high-dollar drugs, Small said.

“The severity of the reduction targets individuals in the middle class who were not supposed to be affected by the law,” Small said.

Coffman said he held the hearing — and plans another in Washington, D.C. — to highlight the unintended consequences of the health care bill. Though Coffman acknowledges it won’t be repealed, he’d like to present looming problems to fellow Congress members to see if he could get them to tweak the business mandate or definition of a full-time employee before people lose work.

“I think that there are tremendous unintended consequences with this legislation, and I’m concerned about it from a job-creation perspective,” he said. “I think that Congress would react, but unfortunately after the fact. And I think the challenge is to get Congress to understand the issue before the consequences come down.”

By Ed Sealover
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